

# K-12 Education Funding

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## The Montana Constitution ensures:

- *Equality of educational opportunity is guaranteed to each person in the state*
- *The unique cultural heritage of the American Indians by providing an educational goal of preserving their cultural integrity*
- *That the legislature provides a basic system of free quality public elementary and secondary schools and fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system*
- *The local control by school boards over the governance structure of the school districts and provides for general oversight by the Board of Public Education*
- *A Superintendent of Public Instruction*

## Legislative Role in K-12 Education

The legislature is responsible for developing public policy regarding education, and the form public education takes in Montana. The legislature's role in funding K-12 education includes:

- setting spending minimum and maximum levels
- appropriating state funds to the Office of Public Instruction to distribute to the local school districts
- specifying the circumstances under which increased property tax needs are to be voted on
- considering land management activities and the subsequent revenues from common school trust lands in funding needs of districts

## Important Points to Consider

- The legislature's role is to assure adequate funding for a quality school system. In order to do this, the legislature is responsible for managing, updating and executing the school funding formula
- The school district general fund obtains revenue from the common school trust lands state general fund, local levies, and local share of oil and gas. The district general fund primarily covers the expenses of the education program of the district. Generally, other district funds cover buildings, transportation, and other programs. A major responsibility of the legislature is funding the district general fund

It is the goal of the people to establish a system of education which will develop the full educational potential of each person. *Montana Constitution*



Montana Legislative Fiscal Division



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# Understanding the School Funding Formula

The formula is a distinct set of financial factors that when combined establishes the district's maximum and minimum budget and the state and local financial share of the general fund of public education. The legislature is charged with the task for ensuring that the formula provides for a basic system of quality public schools, distributed in an equitable manner.

School District General Fund - FY 2012		
	<b>Total FY12 General Fund Budget \$967.2 M</b>	<b>Max Bud = Basic entitlement + per ANB entitlement + 4 new components + \$200% of Special Ed Allowable Costs</b>
<b>Overbase Area = Adopted Budget Less Base Budget</b>	<b>OverBase Budget \$171.8 M</b> <b>OverBase Property Taxes \$165.1 M,</b> <b>Nonlevy Revenue \$5.5 M and Tuition \$1.2 M</b>	<b>FY12 Maximum Budget \$990.7 M</b>
<b>GTB Area = 35.3% of Basic and Per-ANB Entitlements plus 40 Percent of Special Education Allowable Costs. State Guarantee Ratio = 193 percent of Taxable Value per dollar GTB Area</b>	<b>GTB \$140.6 M</b> <div>Base Property Tax \$120.6 M</div> <b>Fund Balance Reappropriated \$7.2 M</b> <b>Base Nonlevy Revenue \$53.9M</b>	<b>FY12 Base Budget \$795.4 M</b> <b>Components of Maximum Budget</b> <b>Elementary Basic Entitlement = \$23,033</b> <b>Middle School Basic = \$65,231</b> <b>High School Basic = \$256,003</b> <b>Elementary Per ANB = \$4,955 less \$.20/ANB up to the 1000th ANB</b> <b>High School Per-ANB = \$6,343 less \$.50/ANB up to the 800th ANB</b>
<b>Direct State Aid = 44.7% of Basic and per ANB entitlements</b>	<b>Direct State Aid \$387.6 M</b>	
<b>Special Education</b>	<b>Special Ed - \$37.0 M</b>	<b>On Average the State Share 63.5%</b>
<b>Four New Components - State Funded</b>	<b>Indian Ed For All Payment - \$3.0 M</b> <b>American Indian Achievement Gap - \$3.2 M</b> <b>At Risk Payment - \$5 M</b> <b>Quality Educator Payment - \$37.3 M</b>	<b>Instructional Block Grant - \$150.55/ANB; Related Services BG - \$50.18/ANB</b> <b>IEFA Payment = \$20.40/ANB, Minimum = \$100 per District</b> <b>AIA Gap Payment = \$200 per Indian Child</b> <b>At Risk Payment distributed same as Title 1 Funds</b> <b>QE Payment = \$3,042/Educator</b>



# The Funding Formula Explained



## Building the Maximum and Base District General Fund Budget

Building Blocks	Base Budget	Maximum Budget
Per ANB Entitlement	80%	100%
Basic Entitlement	80%	100%
Special Education Payment	140%	200%
Four Core Components	100%	100%

- Average Number Belonging (ANB) Entitlement - A per ANB dollar amount based on the average count of students attending a district in October and February of the previous school year
- Basic Entitlement - A set amount per district based on whether it is an elementary school district, middle school district or high school district
- Special Education Payment - a set amount per ANB regardless of the count of special education students. This is set by the special education appropriation made by the legislature. This amount is adjusted for high cost children

### Four Core Components

1. Quality Educator Payment - A per educator or licensed professional payment made directly to local schools
2. At Risk Payment - A payment to schools to address at-risk students; or students who are affected by an environment that negatively impacts performance and threatens the likelihood of promotion or graduation
3. Indian Education For All Payment - A per student payment to fund the constitutionally required education regarding the cultural heritage of the American Indians
4. American Indian Achievement Gap Payment - A per American Indian student payment for the purpose of closing the performance gap that exists between American Indian students and non-Indian students



## Funding the Base and Actual District General Fund Budget

The per ANB entitlement plus the Basic entitlement are paid for by Direct State Aid and Guaranteed Tax Base

- Direct State Aid - received by every district and is equal to 44.7% of the per ANB entitlement and Basic entitlement
- Guaranteed Tax Base (GTB) - an area of the general fund budget that is 35.3% of the per ANB entitlement and Basic entitlement. It is funded by:
  1. Base Property Taxes - Local property tax revenues
  2. GTB - Guaranteed Tax Base - A state subsidy for mill levies used to equalize property wealth per student across the state. This state revenue assists districts to reach the minimum base funding level
  3. Fund Balance Re-appropriated - Any excess district general fund from the previous year
  4. Base Non Levy Revenue - Items such as interest earnings, facility rental income, summer school, oil and gas revenues, coal gross proceeds
  5. Special Education Funds - Formula funds provided to local school districts in the form of a block grant
  6. Four Core Components - 100% funded by the state

### Other State Funding

The legislature is also responsible for setting rates for state participation in teacher's retirement, transportation and debt service. Formulas for those payments can be found in Title 20, Chapter 9 of the Montana Code Annotated.

### Impacts to Local Districts

The legislature's role is to assure adequate funding for a quality school system. If the legislature needs to adjust the formula, there could be local tax consequences. The main source of local contribution is property taxes.